GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5597
ANSWERED ON:07.04.2017
Balance of Payments
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware that inflow of foreign investments mainly helps to improve the country's Balance of Payments situation and also strengthen the rupee value against other global currencies, especially dominant US dollar; and

(b) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)

(a) & (b) Foreign investment is one of the important components of India's capital/finance account of balance of payments. During 2016-17 (April-December), the current account deficit of US$ 11.6 billion was more than covered by the net capital inflows of US$ 25.9 billion resulting in the accretion of foreign exchange reserves of US$ 14.2 billion. Of this, net foreign investment inflows were US$ 27.4 billion. FDI, a more stable component of capital inflows increased to US$ 30.6 billion in 2016-17 (April-December) from US$ 27.2 billion in the corresponding period of the previous year.
During 2016-17, the Indian rupee depreciated by 2.4 per cent and by 1.8 per cent against the US dollar and Euro and appreciated by 12.6 per cent against the Pound sterling. However, in February and March 2017 the rupee appreciated against all the above three currencies with significant capital inflows, both portfolio and FDI. Net FII flows picked up significantly since February 2017 after turning negative during the period October 2016-January 2017. FDI inflows also continued to be robust during 2016-17 (April-January).

Positive sentiment generated by good growth prospects of the Indian economy, sound macroeconomic fundamentals with low inflation, low current account deficit, adequate forex reserves, etc. are driving capital inflows contributing to the strengthening of the rupee.
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